

FINANCE COMMITTEE MEETING MINUTES

September 10, 2013

Councilmembers Present

Councilmember Fraley-Monillas
Council President Petso

Staff Present

Roger Neumaier, Finance Director
Phil Williams, Public Works Director
Stephen Clifton, Comm. Serv./Econ. Dev. Dir.
Jeannie Dines, Recorder

Public Present

Ron Wambolt
Roger Hertrich
Bruce Witenberg
Finis Tupper
Ken Reidy

Councilmember Fraley-Monillas called the meeting to order at 6:30 p.m. She asked Council President Petso to participate due to Councilmember Yamamoto's absence.

A. Authorization to contract with James G. Murphy to Sell Surplus City Vehicles

Mr. Williams advised this is a police seizure vehicle, an 11 year old BMW SUV, and the approximate value is \$6,000.

Action: Schedule on Consent Agenda

B. Recommendation for Department Presentations for Budget Workshop

Mr. Neumaier reviewed the proposed schedule:

October 1:	Mayor's presentation of proposed 2014 City Budget.
October 22:	Department presentations (Court, City Clerk, Mayor's Office, Council, Human Resources, Economic Development, Finance & Information Services, Non-departmental, Development Services, Police)
October 29:	Department presentations (Parks, Public Works Utilities, Public Works Roads and Public Works Facilities Maintenance, ER&R and Engineering)
November 4:	Council Budget Public Hearing
November 11:	Council Budget Adoption

Departments' presentations will address 2013 accomplishments, business challenges and uncertainties for the coming year, compare yearend projection actual expenditures to budget, what is different about their 2014 budget proposal and respond to Council questions. He will share the proposed department presentation schedule at a staff meeting tomorrow and make any necessary changes.

Action: Schedule for full Council next week

C. July 2013 Budgetary Financial Report

Mr. Neumaier highlighted the following:

- Property tax revenue is significantly higher compared to last year. This may be due to payment of delinquent property taxes when properties are sold.
- Sales tax revenue is at 61% and trending 7.5% over budget
- Total General Fund revenue is at 61% or \$20.1 million YTD, compared to \$18.8 million last year.

- In General Fund expenditures, Intergovernmental is at 71%. This is primarily due to department expenditures at the beginning of year. He anticipated a 2% under expenditure at yearend.
- REET continues to perform very well. The yearend projection is \$900,000 which is \$250,000 over budget.

Mr. Neumaier advised narratives will be provided in quarterly reports and will be more expansive than the second quarter report.

Action: Schedule for full Council next week due to questions regarding the report format

D. City Investments and County Investment Pool

Mr. Neumaier explained the City's investments have been earning 0.1% in the State's Local Government Investment Program and a bank account. The Snohomish County Investment Pool has significantly outperformed the State pool. For example, in 2012 participants received 1%, participants in the State pool received 0.17% and a 2 year Treasury Note received 0.25%. The primary objectives in the City's Investment Policy are, 1) safety, 2) liquidity, and 3) return on investment. He anticipated an increase in investment revenue of \$80,000. He intended to keep a significant amount in the State's fund to ensure flexibility. The additional interest revenue is accrued by the fund where the money is located. He is authorized to make this change but wanted to notify the Council.

Discussion followed regarding timeframe for investments and the process and timeframe to withdraw money from the State Pool and from the Snohomish County Pool.

Action: Schedule for presentation by Mr. Neumaier to full Council

E. Bond Counsel Contract for Edmonds Center for the Arts Contract

Mr. Neumaier requested the Council authorize the City Attorney to agree to waive any potential conflict of interest pertaining to the Bond Counsel's occasional representation of the Edmonds Public Facilities District (PFD) and the Edmonds Center for the Arts (ECA) on unrelated matters. Once that authorization has occurred, City staff would move forward with a contract and would return to the Council with a proposed Interlocal modification agreement that addresses the strategies and issues summarized above. This would replace the current loan with a grant structure which is consistent with other cities. He described benefits of this strategy. The cost is up to \$7,500 for bond counsel.

In response to committee members questions, Mr. Neumaier explained extending the term does not solve the problem because the State requires interest be charged and the PFD still would need a source of revenue to repay the loan. The loan is problematic during PFD audits. The manner in which they would be modifying the Interlocal would be the bond counsel's recommendation. Discussion followed regarding the Task Force that has been discussing ways to cover the obligation, efforts to extend the PFD legislation for 15 years, bond counsel providing input to the Task Force, exploring other alternatives, investigating what other cities have done, obtaining tax and legal ownership advice from appropriate attorneys, projections in a spreadsheet provided at the Council retreat, and bond refinancing savings.

Mr. Neumaier advised many of the questions that are being asked via email are very complex. He relayed the ECA is a jewel and the City Council should be proud of what they have achieved. His intent is to support that progress. Council President Petso advised a Task Force meeting is scheduled this Friday. Mr. Clifton said long term ownership also needs to be discussed by the Council and PFD.

Mr. Neumaier will synthesize the questions he has received and answers he has provided as well as identify technical issues that he cannot fully respond to. He suggested establishing a date for the Task

Force to make a recommendation. He advised neither the ECA nor PFD asked for this; but it is an important issue to them.

Action: Schedule for next month's Finance Committee meeting with a synthesis of questions/answers and an update from the Task Force.

F. Public Comments

Ken Reidy, Edmonds, encouraged Mr. Neumaier to respond to the emails he sent today. He agreed it was a very complicated situation and it was difficult for citizens and even staff to understand. He recalled former Finance Director Hunstock told him in 2012 that the PFD had paid back all their loans. There appears to be confusion about restricted funds and interfund loans. Everyone would benefit from a detailed explanation of the relationship between the PFD, ECA and the City. Mr. Neumaier anticipated his responses to Council questions will address Mr. Reidy's questions to the extent that they do not require detailed legal expertise.

Bruce Witenberg, Edmonds, encouraged the Council to authorize the necessary funds to hire Foster Pepper and in particular Hugh Spitzer as bond counsel to provide the City the necessary assistance. He appreciated Mr. Neumaier's candor in saying he needs outside expertise in regard to this complex issue.

Adjournment – The meeting adjourned at 7:15 p.m.